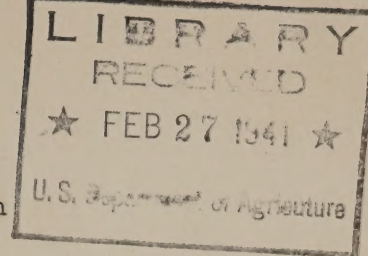


U. S. DEPARTMENT OF AGRICULTURE
U.S. Agricultural Adjustment Administration
Division of Information



January 25, 1941

CORN MARKETING QUOTA PROVISIONS OF
THE AGRICULTURAL ADJUSTMENT ACT
OF 1938

The Agricultural Adjustment Act of 1938 provides that a marketing quota on corn shall be proclaimed whenever it appears that the total supply of corn in any year will exceed the normal supply by more than 10 percent. This proclamation must be issued not later than September 15, on the basis of information available to the Secretary of Agriculture, and a referendum of corn growers must be held between the time of proclamation and October 10.

All farmers who are subject to the quota are eligible to vote in the referendum. If more than one-third of the farmers voting in the referendum oppose the quota, no marketing quota shall be in effect, and no loans can be made on corn during the marketing year.

Marketing quotas have no direct effect on any farmer who plants within his corn allotment. Such a farmer can market all the corn he produces, either by selling it or by feeding it to livestock. The farmer who has exceeded his allotment is subject to a penalty of 15 cents per bushel on all corn he markets in excess of his farm marketing quota. While the cooperator can obtain a loan at the full corn loan rate, the noncooperator is eligible for a loan only at 60 percent of the full rate and only on the excess production which he is required to store.

Marketing quotas do not apply to any farm on which the planted corn acreage times the normal yield for the farm equals less than 300 bushels.

Compliance with marketing quotas will be determined by measuring the amount of corn a farmer has stored. The storage amount for any individual farm would be based upon the corn acreage allotment for the farm and would be the smallest one of the following amounts:

- (1) The normal production of the acreage in excess of the corn allotment;
- (2) The amount by which the actual production of corn on the farm exceeds the normal production of the corn allotment; or
- (3) The amount of corn grown on the farm and not used for silage.

Any farmer whose storage amount is figured at less than 100 bushels will not be asked to store any corn.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Division of Information

January 24, 1941.

QUESTIONS AND ANSWERS

on

CORN MARKETING QUOTAS

Q. What are corn marketing quotas?

A. Corn marketing quotas are the maximum amounts of corn which producers may market without penalty in years when supplies are excessive and farmers vote two-to-one in favor of such restrictions. They provide a method of having farmers who have overplanted their corn allotments hold their excess production off the market until it is needed. Otherwise farmers would market their excess supplies and lower the market value of corn not only for themselves, but also for other farmers who had not overplanted their corn allotments.

Q. When do corn marketing quotas go into effect?

A. Only in years when the supply of corn is more than 10 percent above normal. In these years a referendum will be held and quotas will be effective only if two-thirds of the farmers who vote in the referendum vote in favor of using quotas.

Q. Does it appear that corn marketing quotas will be proclaimed in 1941?

A. It appears highly probable, although the final determination will depend on the size of the 1941 crop and on the size of the corn carry-over on October 1, 1941. It is definitely known that the carry-over of old corn in the fall of 1941 will be above normal. Because of the European War and the need for a feed supply adequate to meet any emergency, the 1941 corn allotment is larger than it would otherwise be. Accordingly, an acreage in excess of the allotment or an above-normal yield is almost certain to make the proclamation of marketing quotas necessary.

Q. What would be the effect of an unfavorable vote on marketing quotas?

A. There would be no limit on the amount of corn any farmer could market. But there would be no corn loans to anyone--either cooperators or non-cooperators. Loans are prohibited by the Agricultural Adjustment Act in a year when quotas are proclaimed and voted down.

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Q. Who would be eligible to vote in a referendum?

A. All farmers growing corn in the commercial corn-producing area except those who are exempted because of small production.

Q. How will marketing quotas on corn affect the individual farmer?

A. Marketing quotas have NO DIRECT EFFECT ON THE FARMER WHO HAS PLANTED WITHIN HIS CORN ACREAGE ALLOTMENT. He is not subject to penalty for any corn fed or sold.

Farmers who exceed their allotments will have to store on their farms or under their control part of their crops until quotas are suspended. The only exceptions are farmers who produce very little excess corn and those who get exceptionally low yields. A farmer who is within his allotment will be eligible for a loan at the full corn loan rate. A producer who exceeds his allotment will be able to get a loan only at 60 percent of the full rate and only on the amount of corn he is to store. If he preferred to use or to sell his corn instead of storing it, he would be subject to a penalty of 15 cents per bushel on marketings in excess of his quota.

Q. Is corn which is fed to livestock regarded as marketed?

A. Yes, since the livestock to which it is fed is being fed for market. Eighty-five percent of all the corn produced in the United States is marketed in the form of livestock.

Q. How will it be determined whether or not a farmer has marketed more than his quota?

A. Compliance with marketing quotas will be determined by measuring the amount of corn a farmer has stored. If he has stored less than his storage amount, he will be presumed to have exceeded the marketings permitted him. If he has his full storage amount in storage, he will be presumed to have kept within the marketings permitted him. Then, he would not be subject to penalty for any other corn fed or sold.

Q. Will marketing quotas protect farmers against price collapse?

A. Yes. After the supply of corn reaches the marketing quota level, the quotas, coupled with corn loans, help hold the surplus off the market and prevent it from depressing corn prices.

Q. Will a farmer be free to buy corn from other farmers?

A. Anyone will be free to buy as much corn as he wishes from anyone who will sell it. The marketing quota merely sets an amount for each commercial corn producer to store. He can even sell all or part of his storage amount if he wishes to pay the penalty.

Q. Will a farmer be asked to store any corn if he received a poor yield?

A. He will not unless his acreage is so large that his total production is above the normal production of his corn allotment. The Farm Program provides an Ever Normal Granary for the nation, the county, and the individual farmer. If the production of corn in a county is considerably below normal, the corn stored under marketing quotas will be released for market and for livestock feed. This is also true for the individual farmer.

Q. Will marketing quotas apply to the entire country?

A. No. They will apply only to the commercial corn area.

Q. Why should farmers outside the commercial corn area be permitted to sell all their corn?

A. Farm incomes would not be improved if farmers outside the commercial area were subject to corn marketing quotas. Very little of the corn produced outside the commercial corn area competes in any direct way with corn produced inside the commercial area. Most of it is fed to livestock for local use or is consumed on the farm. The administration of corn marketing quotas outside the commercial area would be both expensive and impractical.

Q. Would marketing quotas apply to all parts of the commercial corn area regardless of the fact that production during the current year may have been low in some areas?

A. If production of corn in a county or area is far below normal and its reserve of stored corn is low, the Secretary of Agriculture may exempt the county or area from marketing quotas.

Q. Will a farmer who raises only a small amount of corn be asked to store part of his production?

A. Any farmer whose storage amount is figured at less than 100 bushels will not be asked to store any corn. Any farmer whose normal production on his planted acreage of corn is less than 300 bushels will not be subject to marketing quotas. Under these provisions, farmers who raise only small amounts of corn will not have storage amounts and will not be subject to the marketing quota penalty.

Q. How often can farmers expect to have marketing quotas on corn?

A. AAA acreage allotments every year should, under ordinary conditions, keep corn production balanced and thereby prevent quotas. Marketing quotas on corn will be necessary only if yields are exceptionally high or if a large percentage of farmers plant considerably more corn than their acreage allotments provide.

Q. How will the storage amount for an individual farm be established?

A. The storage amount for any individual farm would be based upon the corn acreage allotment for the farm and would be the smallest one of the following amounts:

- (1) The normal production of the acreage in excess of the corn allotment;
- (2) The amount by which the actual production of corn on the farm exceeds the normal production of the corn allotment; or
- (3) The amount of corn grown on the farm and not used for silage.

Q. Farmer A has a corn allotment of 40 acres and a normal yield of 30 bushels per acre. He planted 60 acres to corn and obtained a yield of 40 bushels to the acre. In a marketing quota year, how much corn will he be able to market without penalty?

A. Since A's actual yield is above normal, his storage amount will be based on his normal yield. In other words his storage amount will be his normal yield, 30 bushels, times 20 acres, which is the acreage in excess of his allotment of 40 acres. He will, therefore, be asked to store 600 bushels and may feed or sell without penalty the remaining 1,800 bushels he produced.

Q. Farmer B has a corn allotment of 40 acres and a normal yield of 30 bushels per acre. He planted 60 acres to corn and had a yield of 28 bushels to the acre. How much corn may he market without penalty in a marketing quota year?

A. Since B's actual yield is below his normal yield, his storage amount will be based on his actual yield. His 60 acres times his actual yield of 28 bushels gives an actual production of 1,680 bushels. The normal production of his allotment is 40 times 30 or 1,200 bushels. His storage amount is 1,680 minus 1,200, or 480 bushels.

Q. Farmer C has a corn allotment of 40 acres and a normal yield of 30 bushels per acre. He planted 60 acres to corn, but his yield is only 21 bushels per acre. How much corn may he market without penalty when marketing quotas are in effect?

A. C's normal production on his acreage allotment is 40 times 30, or 1,200 bushels. His actual production is 60 times 21, or 1,260 bushels. The difference between these figures is 60 bushels. Since his storage amount figures to less than 100 bushels, he will not have a storage amount and will be free to market his entire production of 1,260 bushels without penalty.

- Q. Farmer D has a corn allotment of 40 acres and a normal yield of 30 bushels to the acre. He plants 60 acres of corn, but uses 50 acres of it for silage, harvesting 25 bushels an acre from the remaining 10 acres. How much corn may he market without penalty when marketing quotas are in effect?
- A. D's storage amount will be 10 times 25, or 250 bushels, which is the actual amount of corn he produced on the acreage not used for silage. Provided he stores this amount, he may feed all his silage from the remaining 50 acres without penalty.
- Q. To what crops have marketing quotas been applied?
- A. To tobacco and cotton. Producers of flue-cured, Burley, and dark tobacco voted marketing quotas on their 1938 crops. For the 1939 crops, quotas were again proclaimed on all three types of tobacco, but did not go into effect, since less than two-thirds of the producers approved them. Quotas were voted for the 1940 crops of flue-cured and Burley tobacco. In the summer and fall of 1940, producers of all three types of tobacco voted quotas, this time for the three years, 1941, 1942, and 1943. After the Agricultural Adjustment Act of 1933 was ruled out, the combination of a huge acreage and a favorable growing season in 1937 sent the nation's cotton supply to the second highest point in history. Cotton producers put marketing quotas into effect in 1938, 1939, and 1940, and have again voted quotas on their 1941 crop.
- Q. What has been the effect of marketing quotas on prices of commodities for which they became effective?
- A. With tobacco marketings adjusted in 1938, season prices of all three varieties were favorable to growers. In 1939, following the unfavorable vote on tobacco marketing quotas, production of all three types reached record or near-record levels, and prices were considerably below those of a year earlier. Assured of marketing quotas for the next three years, tobacco producers have succeeded in stabilizing their acreage, although the market is still depressed to some extent by the high 1939 production and the loss of export markets as a result of the war. With cotton marketing quotas in effect, cotton growers reduced their crop from 19 million bales in 1937 to about 12 million bales each in 1938, 1939, and 1940. Until the outbreak of war, the cotton carry-over had been reduced each year under marketing quotas. Although the surplus remaining from 1937 still acts to depress the market, adjusted production and the cotton loan are holding the price at between 8 and 9 cents a pound.

1. The first part of the report deals with the general situation of the country and the progress of the work during the year.

2. The second part of the report deals with the results of the work during the year and the progress of the work during the year.

3. The third part of the report deals with the results of the work during the year and the progress of the work during the year.

4. The fourth part of the report deals with the results of the work during the year and the progress of the work during the year.

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